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Nos. 14-1513, 14-1520

In the Supreme Court of the United States

HALO ELECTRONICS, INC.,
Petitioner,

v.

PULSE ELECTRONICS, INC. AND
PULSE ELECTRONICS CORPORATION
Respondents.

STRYKER CORPORATION, STRYKER PUERTO RICO, LTD.
AND STRYKER SALES CORPORATION
Petitioners,

v.

ZIMMER, INC. AND ZIMMER SURGICAL, INC.
Respondents.

On Writs of Certiorari to the United States
Court of Appeals for the Federal Circuit

BRIEF *AMICUS CURIAE* OF INTELLECTUAL PROPERTY PROFESSORS IN SUPPORT OF NEITHER PARTY

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INTEREST OF THE *AMICI CURIAE*[1]

Amici are law professors who specialize in intellectual property law and who have previously published on, or have interest in, the issues of willful infringement, patent remedies, and, more broadly, the proper functioning of the patent system. The undersigned *amici* have no personal stake in the outcome of these cases, but have an interest in seeing that the patent laws operate in a way that promotes innovation.

SUMMARY OF THE ARGUMENT

Section 284 of the Patent Act, 35 U.S.C. § 284, like its precursors, does not grant trial judges authority to increase damages up to three times the amount of actual damages for any reason. Rather, the statutory text has been consistently been applied by courts to increase damages when the infringer has engaged in especially wrongful infringement, now commonly called willfulness. Absent clear evidence to the contrary, the Court should conclude that in enacting § 284, Congress incorporated the settled meaning developed in over a century of case

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[1] Pursuant to Supreme Court Rule 37.6, *amici curiae* affirm that no counsel for a party authored this brief in whole or in part, that no counsel or a party made a monetary contribution intended to fund the preparation or submission of this brief, and that no person other than *amici curiae*, their members, or their counsels made a monetary contribution to its preparation or submission. Pursuant to Supreme Court Rule 37.2, each party has consented to the filing of this brief, and copies of the consents are on file with the Clerk of the Court.

law that increased damages[2] should be awarded only for willfulness. This settled meaning is confirmed by Congress's recent enactment of 35 U.S.C. § 298, which prohibits use of an accused infringer's failure to obtain or present advice of counsel as evidence that it "willfully infringed" the patent—language which only makes sense if willfulness is the standard for increasing damages under § 284.

Although correctly recognizing that willfulness is the sole basis for increasing damages under § 284, the current test adopted by the U.S. Court of Appeals for the Federal Circuit for determining willfulness is incorrect as a matter of law. Starting with its en banc decision in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), the Federal Circuit abandoned its prior totality-of-the-circumstances approach in favor of a rigid, two-part test that terminates the willfulness inquiry if the accused infringer can offer a reasonable litigation defense to infringement, without considering any evidence regarding the accused infringer's state of mind. The Federal Circuit's adoption and application of this rigid two-part test for determining willfulness conflicts with the discretionary language of § 284, particularly in light of this Court's recent decisions in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), and *Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S. Ct.

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[2] For consistency with the statutory text, this brief uses "increased damages" in lieu of "enhanced damages." *See* 35 U.S.C. § 284 (referring to "[i]ncreased damages").

1744 (2014), which rejected a similarly inflexible approach for awarding attorney's fees under § 285.

In lieu of the Federal Circuit's inflexible approach, this Court should hold that district courts should determine willfulness—and thus eligibility for increased damages—by requiring the patentee to demonstrate that the infringer at least recklessly violated the patentee's rights under a totality of the circumstances. In addition, because willfulness is a fact-intensive determination best suited for resolution by the trial court, this decision should be reviewed for abuse of discretion on appeal.

ARGUMENT

I. Willfulness Is the Appropriate Standard for Determining Whether Damages Should Be Increased Under Section 284

Section 284, like its precursors, allows trial judges to increase damages up to three times the amount determined to be adequate to compensate for the infringement. Courts have long understood that this authority to increase damages is used only in situations where the infringer engaged in egregious or especially wrongful infringement of a patent, a concept generally known as willful infringement.[3]

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[3] There is no reason to depart from the terminology of "willfulness" or to introduce slight distinctions for a word that, as Judge Learned Hand once observed, "always gathers an unhappy cloud of uncertainty that has caused an abundance of discussion." *Rex Wine Corp. v. Dunigan*, 224 F.2d 93, 95 (2nd Cir. 1955).

While the provenance of the willful infringement standard is well established, *amici* are concerned about suggestions that this Court condone alternative grounds for increasing damages under § 284. Despite courts' and commentators' occasional discussion of alternate possible theories for increasing damages, actual reliance on those theories is lacking. No decision by this Court has ever affirmed a discretionary increase in damages, let alone one based on a theory other than willfulness.

Thus, absent clear evidence to the contrary, the Court should infer that in enacting § 284, Congress incorporated the "settled meaning" that increased damages should be awarded only for willfulness. *Cf. Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2246 (2011) (holding that in enacting 35 U.S.C. § 282, which declared a patent is "presumed valid," Congress also incorporated the "settled meaning" from case law that a defendant raising an invalidity defense bore a "heightened standard of proof" for overcoming the presumption). This standard is part of the firm bedrock of patent law.

A. The Statutory History of the Trial Court's Power to Increase Damages Consists of a Chain of Consistent Statutory Language, While Courts' Broader Authority to Award Monetary Remedies Has Changed Substantially

Since its enactment in 1836, the statutory language granting trial judges the discretion to increase damages has remained largely the same,

although the courts' broader authorization to award monetary remedies has changed substantially. The statutory history of trial courts' power to award monetary remedies actually involves two separate chains of statutory provisions: a first section applying to suits brought in actions at law, and a second section largely applying to suits brought in equity. As explained below, the statutory language permitting a court to award up to three times the amount of actual damages consistently appeared in the remedial provision for actions at law, which underwent only minor alterations between 1836 and 1952. The court in equity's statutory authority to award monetary remedies, in contrast, underwent several major changes over the same time.

Prior to the 1836 Patent Act, successful patent holders were automatically entitled to "a sum equal to three times the actual damage sustained." Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 37, 38 (1800); *see also Birdsall v. Coolidge*, 93 U.S. 64, 68-69 (1876) (discussing the history of the patent statutes in the 1800s). Among the many changes in the 1836 Patent Act was the replacement of the mandatory trebling provision with permissive language. The relevant portion read:

> [I]t shall be in the power of the court to render judgment for any sum above the amount found by such verdict as the actual damages sustained by the plaintiff, not exceeding three times the amount thereof, according to the circumstances of the case, with costs

Act of July 4, 1836, ch. 357, § 14, 5 Stat. 117, 123 (1836). The 1870 Patent Act contained similar language:

> [T]he court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.

Act of July 8, 1870, ch. 230, § 59, 16 Stat. 198, 207 (1870). That language remained unchanged until 1952, when Congress enacted now-Section 284.

In contrast, the parallel remedial provision applying to suits in equity changed dramatically between 1836 and 1952. Section 17 of the 1836 Patent Act provided that infringement suits could be brought in equity as well as law. § 17, 5 Stat. at 124. Although this provision referred simply to the court's power to "grant injunctions[] according to the course and principles of courts of equity," *id.*, courts also exercised their equitable powers to award the infringer's profits. *Birdsall*, 93 U.S. at 68-69. This power was codified in § 55 of the 1870 Patent Act, in which Congress specifically granted a court sitting in equity the authority to award "the profits to be accounted for by the defendant," as well as "the damages the complainant has sustained." § 55, 16 Stat. at 206. Congress also granted courts sitting in equity "the same powers to increase the same in its discretion that are given by this act to increase the damages found by verdicts in actions upon the case," *id.*, a clear reference to the trebling power in § 59 of that act. *See Birdsall*, 93 U.S. at 69-70.

This provision underwent additional changes over the next eighty years that further altered the trial court's authority to award monetary remedies while sitting in equity.[4] Notably, in 1946, Congress eliminated language authorizing courts sitting in equity to award the infringer's profits, while at the same time granting them discretionary authority to award attorney's fees to the prevailing party. Act of Aug. 1, 1946, ch. 726, 60 Stat. 778, 778 (1946); *see also Octane Fitness,* 134 S. Ct. at 1753. Despite these changes, courts continued to have the "same power to increase the assessed damages, in its discretion, as . . in actions in the nature of actions of trespass upon the case"—*i.e.*, actions at law. 60 Stat. at 778.

The 1952 Patent Act collapsed the two remedial provisions into § 284, providing separate sections for injunctive relief (35 U.S.C. § 283) and the award of attorney's fees in "exceptional cases" (35 U.S.C. § 285). Act of July 19, 1952, Pub. L. No. 82-593, §§ 283, 285, 66 Stat. 792, 812-13 (1952). The second paragraph of § 284 states:

> When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

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[4] These changes included a six-year limitation on profits or damages, Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694 (1897), and authority to award "a reasonable sum as profits or general damages for the infringement" when "damages or profits are not susceptible of calculation and determination with reasonable certainty," Act of Feb. 21, 1922, ch. 58, § 8, 42 Stat. 389, 392 (1922).

35 U.S.C. § 284 (1952). Since 1952, Congress has made only a single substantive change to § 284, to exclude provisional rights under § 154(d) from increased damages. *See* Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, § 4504, 113 Stat. 1501A-521, 1501A-564 (1999).

B. While Trial Courts Have Possessed Statutory Discretion to Increase Damages Since 1836, They Have Consistently Limited Exercise of That Discretion to Instances of Willfulness

Since the nineteenth century, courts have consistently limited the exercise of their discretion to increase damages to circumstances involving especially wrongful infringement. Court opinions have used an array of labels to express this concept. *See, e.g.*, *Lyon v. Donaldson*, 34 F. 789, 793 (C.C.N.D. Ill. 1888) ("flagrant violation" of patentee's rights); *Ford v. Kurtz*, 12 F. 789, 789 (C.C.N.D. Ill. 1882) (Harlan, J.) ("malicious" infringement); *Buerk v. Imhaeuser*, 4 F. Cas. 594, 595 (C.C.S.D.N.Y. 1876) ("wil[l]ful" infringement); *Am. Nicholson Pavement Co. v. City of Elizabeth*, 1 F. Cas. 691, 700 (C.C.D.N.J. 1874) ("wanton" infringement); *Russell v. Place*, 21 F. Cas. 57, 58 (C.C.N.D.N.Y. 1871) ("deliberate and intentional" infringement). But each of these terms reflects a common meaning: that the infringement was especially egregious, rather than simply being a typical patent infringement suit. The well-understood modern terminology for this concept is willfulness, a term that encompasses bad faith infringement. *See Seagate*, 497 F.3d at 1368.

Early case law recognized willfulness as the primary or sole grounds for increasing damages. The earliest reported case applying the increased damages provision appears to be *Guyon v. Serrell*, 11 F. Cas. 132 (C.C.S.D.N.Y. 1847), in which the trial court denied a request to increase damages where the defendant generally acted in good faith. *Id.* at 133. Four years later, in *Day v. Woodworth*, 54 U.S. 363 (1851), this Court noted that "if, in the opinion of the court, the defendant has not acted in good faith, or has been stubbornly litigious, or has caused unnecessary expense and trouble to the plaintiff, the court may increase the amount of the verdict, to the extent of trebling it." *Id.* at 372. In *Seymour v. McCormick*, 57 U.S. 480 (1854), the Court, reversing a jury award of damages, distinguished between actual damages and "vindictive or exemplary damages," which are intended "not to recompense the plaintiff, but to punish the defendant" in cases "where the injury is wanton or malicious." *Id.* at 489. Subsequent opinions of this Court used similar language. *See, e.g., Teese v. Huntingdon*, 64 U.S. 2, 9 (1860) ("[I]f, in the opinion of the court, the defendant has not acted in good faith, or has caused unnecessary expense and injury to the plaintiff, the court may render judgment for a larger sum, not exceeding three times the amount of the verdict."); *Boesch v. Graff*, 133 U.S. 697, 699, 704 (1890) (reviewing a decision that found infringement "willful, wanton, and persistent" but reversing on other grounds).[5]

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[5] In the only decision by this Court actually reviewing a

In fact, motions to increase damages at this time were so unusual that more than one judge remarked on the rarity of such requests. *See Schwarzel v. Holenshade*, 21 F. Cas. 772, 773 (S.D. Ohio 1866) ("It is somewhat remarkable that in the almost countless reports of trials of patent right cases in the United States, there are so few in which the statute authorizing a judgment for treble damages has been presented for judicial consideration."); *see also Welling v. La Bau*, 35 F. 302, 304 (C.C.S.D.N.Y. 1888) ("The limited number of reported cases upon this subject is of itself proof of the care with which the courts have exercised the discretion given by the statute."). When patent holders did bring motions to increase damages, courts denied them if the defendant was not a willful infringer. *See, e.g., Ford*, 12 F at 789 (declining to increase damages and remarking "[t]he infringement by defendants of complainant's patent was neither wil[l]ful nor malicious"); *Am. Nicholson Pavement Co.*, 1 F. Cas at 698 ("[T]here is nothing in the case, which authorizes the court, if it had the power, and were so disposed, to visit upon the defendants any consequences in the nature of a penalty. They were not wanton infringers."); *see also Brodie v. Ophir Silver Mining Co.*, 4 F Cas. 202, 203-04 (C.C.D. Cal.

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claim for increased damages, *Topliff v. Topliff*, 145 U.S. 156, 174 (1892), the Court affirmed the trial court's decision not to increase damages, while also suggesting that the Court itself would have increased them given the circumstances. Those circumstances fit the mold of willful infringement. None of the Court's other decisions, aside from *Boesch*, actually involved a claim to increased damages.

1867) (stating the power to increase damages "should only be exercised to remunerate parties who have been driven to litigation to sustain their patents by wanton and persistent infringement").

Indeed, so well established was this standard that in the 1890 edition of his classic treatise on patent law, William Robinson observed that courts exercised their power to increase damages "principally in cases of wanton infringement, or where the defendant has compelled the plaintiff to resort to needless and expensive litigation." 3 William C. Robinson, *The Law of Patents for Useful Inventions* § 1069, at 365 (1890). Each of the cases cited by Robinson for this claim either denied an increase because the conduct was not willful or wanton, *see, e.g.*, *Schwarzel*, 21 F. Cas. at 772-74, or increased damages because, for example, the infringement appeared "deliberate and intentional," *Russell*, 21 F. Cas. at 58. These decisions were consistent with the view that the purpose of the increased damages provision was to address this specific type of activity. *See, e.g.*, *Bell v. McCullough*, 3 F. Cas. 108, 109 (S.D. Ohio 1858) (rejecting treble damages and observing that the "object of this provision was to remunerate patentees who were compelled to sustain their patents against wanton and persevering infringers").

Courts continued to apply a similar approach throughout the twentieth century. For example, in *Van Kannel Revolving Door Co. v. Uhrich*, 297 F. 363 (8th Cir. 1924), the Eighth Circuit affirmed increased damages where "the defendants were willful and persistent infringers." *Id.* at 367.

Similarly, in *Union Carbide Corp. v. Graver Tank & Manufacturing Co.*, 282 F.2d 653 (7th Cir. 1960), the Seventh Circuit, after extensively examining potential alternative rationales for increasing damages, concluded that "it is only on the basis of conscious and wil[l]ful infringement that exemplary or punitive damages are allowed." *Id.* at 675.

Decisions from the last fifty years relying on willfulness as a standard for increasing damages under § 284 are legion. *See, e.g., Lam, Inc. v. Johns-Manville Corp.*, 668 F.2d 462, 474 (10th Cir. 1982); *Dow Chem. Co. v. Chem. Cleaning, Inc.*, 434 F.2d 1212, 1214 (5th Cir. 1970); *Am. Safety Table Co. v. Schreiber*, 415 F.2d 373, 378 (2d Cir. 1969); *see also* John J. Pavlak, *The Increasing Risk of Willful Patent Infringement*, 65 J. Pat. Off. Soc'y 603, 604 (1983) ("Section 284 of the patent laws permits a court to increase damages 'up to three times the amount found or assessed.' While this statute does not specify the grounds for such an increase, the courts have historically limited increased damages to willful infringement."). Since the inception of the Federal Circuit, willfulness has been the gold standard for increasing damages under § 284. *See, e.g., Yarway Corp. v. Eur–Control USA, Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985) ("It is well-settled that enhancement of damages [under § 284] must be premised on willful infringement or bad faith.").

Similarly, this Court has repeatedly used the language of willfulness to define when increased damages could be awarded under § 284. In *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), the Court noted that a

patentee "could in a case of willful or bad-faith infringement recover punitive or 'increased' damages under the statute's trebling provision." *Id.* at 508. More recently, in *Dowling v. United States*, 473 U.S. 207 (1985), the Court, citing § 284, observed that "[a]mong the available remedies are treble damages for willful infringement." *Id.* at 227 n.19

Although commentators have occasionally discussed other rationales for increasing damages, those theories have found little purchase in actual decisions. For example, while the 1937 version of *Walker on Patents* proclaimed that a court could increase damages by awarding the infringer's profits, it cited no case where that was actually done.[6] *See* 3 Anthony William Deller, *Walker on Patents* § 835, at 2175 (1937). In any event, while awarding the infringer's profits was a viable legal theory during the nineteenth and early twentieth century, the 1946 Patent Act eliminated that possibility. *See Aro Mfg. Co.*, 377 U.S. at 505-06.

The difficulty of proving damages has been offered as another possible rationale for increasing damages, *see, e.g.*, *Seagate*, 497 F.3d at 1378 (Gajarsa, J., concurring); *Trio Process Corp. v. L. Goldstein's Sons, Inc.*, 638 F.2d 662, 662-63 (3d Cir. 1981), but such claims are complicated by the existence of separate authority on this point. For example, between 1922 and 1946, the Patent Act

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[6] The only case cited by *Walker on Patents* for this proposition involved an increase on the ground that "there was deliberate and willful infringement." *Sutton v. Gulf Smokeless Coal Co.*, 77 F.2d 439, 442 (4th Cir. 1935) (per curiam).

expressly authorized courts to decide compensation when "damages or profits are not susceptible of calculation and determination with reasonable certainty." 35 U.S.C. § 70 (1934). The text and structure of § 284 also suggest that damages cannot be increased due to proof issues. The first paragraph of § 284 requires an "award" of "damages adequate to compensate for the infringement," which shall be "in no event less than a reasonable royalty." 35 U.S.C. § 284. Only after adequate compensatory damages are awarded can the court "increase" them, as provided in the second paragraph. *Id.* The availability of a reasonable royalty, which "necessarily involves an element of approximation and uncertainty," *Unisplay, S.A. v. Am. Elec. Sign Co.*, 69 F.3d 512, 517 (Fed. Cir. 1995), for determining adequate compensation further undermines this claim. *See Union Carbide*, 282 F.2d at 673-75 (declining to increase damages when compensatory damages were calculated on a reasonable royalty basis).

Some authorities also have suggested that abuse of the litigation process might be an alternative basis for increasing damages, but evidence that courts routinely did so is lacking. For instance, Robinson's 1890 treatise referred to "needless and expensive litigation," although none of his cited cases actually increased damages for that reason. *See* Robinson, *supra*, at 365. And even if abusive litigation tactics might once have been a valid rationale for increasing damages, Congress's creation of a separate statutory provision to address such behavior in the 1952 Patent Act eliminated that rationale. *See* 35 U.S.C. § 285. Moreover, permitting

courts to increase damages under § 284 for this reason would create a new, one-sided remedy for litigation misconduct—and there is no evidence that Congress intended such an outcome. *Cf. Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 523, 534 (1994) (holding prevailing plaintiffs and defendants in copyright litigation must be "treated alike" for awarding attorney's fees under 17 U.S.C. § 505 because a contrary interpretation of the statute lacked support in the legislative history).

In sum, both the evolution of the statutory text and its application by courts demonstrates that increased damages have been consistently granted for one reason—willful infringement.

C. Section 298 Confirms That Willfulness Is the Standard for Increasing Damages

In addition, Congress recently confirmed that § 284 rests on a determination of willfulness. In 2011, Congress added § 298 as part of the Leahy-Smith America Invents Act, which states in relevant part that failure to obtain or introduce advice of counsel "may not be used to prove that the accused infringer willfully infringed the patent." 35 U.S.C. § 298 (2012). This provision was intended to protect against waiver of attorney-client privilege in order to defend against a claim of willfulness under § 284 by offering an opinion of counsel regarding non-infringement and/or invalidity of the asserted claims, a situation that commonly occurred prior to *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (en banc). *See* Mark A. Lemley & Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 Berkeley

Tech. L.J. 1085, 1087-88 (2003). Section 298 also abrogated case law suggesting the absence of an opinion of counsel was relevant to determining willfulness even after *Seagate*. *See, e.g.*, *Presidio Components Inc. v. Am. Tech. Ceramics Corp.*, 723 F. Supp. 2d 1284, 1324 (S.D. Cal. 2010), *aff'd in relevant part*, 702 F.3d 1351 (Fed. Cir. 2012). "[W]illfully infringed" in § 298 only makes sense if it refers to the standard for increasing damages under § 284.

II. The Federal Circuit's Current Two-Part Test for Determining Willfulness Is Incorrect as a Matter of Law

Until 2007, the issue of willful patent infringement was "a factual determination to be made after consideration of the totality of the circumstances." *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1530 (Fed. Cir. 1993). On appeal, the Federal Circuit reviewed the "determination of willfulness under a clearly erroneous standard." *Id.*

But in *Seagate*, the Federal Circuit, sitting en banc, substantially reshaped the legal standard for establishing willfulness. Responding to arguments that its prior jurisprudence set too low a bar for finding willfulness,[7] the Federal Circuit announced

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[7] In particular, the Federal Circuit concluded in *Seagate* that the so-called "affirmative duty of due care" articulated in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), which required a potential infringer with notice of another's patent rights to exercise due care—most commonly by obtaining the advice of competent legal counsel prior to engaging in potentially infringing conduct—was "more

that a patentee must make "at least a showing of objective recklessness" by the accused infringer. *Seagate*, 497 F.3d at 1371. It then articulated a two-part test for this showing:

> [T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.

Id. (internal citation omitted). In *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates*, 682 F.3d 1003 (Fed. Cir. 2012), the en banc Federal Circuit held that the first part of the *Seagate* test—the so-called objective prong—was "best decided by the judge as a question of law subject to *de novo* review,"

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akin to negligence" than willfulness and thus overruled it. *Seagate*, 497 F.3d at 1370-71. *Amici* agree that a negligence-like standard is inappropriate for determining willfulness and that a showing of at least recklessness is required under § 284. However, *amici* contend this showing should be made under a totality of the circumstances, rather than the rigid test articulated in *Seagate* and its progeny. *See infra* pp. 27-28.

even though this inquiry often involves underlying factual issues.[8] *Id.* at 1007.

For the reasons described below, the Federal Circuit's current rigid two-part test for determining willfulness (and thus eligibility for increased damages) under § 284 should be rejected in favor of a flexible, totality-of-the-circumstances inquiry.

A. The Pre-*Seagate* Approach to Willfulness Was a Flexible Inquiry

For nearly 25 years prior to its decision in *Seagate*, the Federal Circuit employed a flexible, totality-of-the-circumstances approach in deciding whether an infringer's conduct was willful. As one decision put it:

> In determining whether willfulness has been shown, we look to the totality of the circumstances, understanding that willfulness, as in life, is not an all-or-nothing trait, but one of degree. It recognizes that infringement may range from unknowing, or accidental, to deliberate, or reckless, disregard of the patentee's legal rights.

Comark Commc'ns, Inc. v. Harris Corp., 156 F.3d 1182, 1190 (Fed. Cir. 1998) (internal quotations and citation omitted)); *see also Rolls–Royce Ltd., v. GTE*

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[8] The majority opinion in *Bard* noted that the objective reasonableness inquiry was a question of law, even when the asserted defenses that allegedly rendered the infringer's conduct reasonable involved questions of fact, such as anticipation. 682 F.3d at 1007.

Valeron Corp., 800 F.2d 1101, 1110 (Fed. Cir. 1986) ("In respect of willfulness, there cannot be hard and fast *per se* rules."). This inquiry "include[d] subjective as well as objective elements," *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1221 (Fed. Cir. 1995), such as "the closeness or complexity of the legal and factual questions presented"; whether the infringer had engaged in copying of the patentee's product, or alternatively whether it had "attempt[ed] to design around and avoid the patent"; whether the infringer "relied on legal advice"; and "any other factors tending to show good faith" by the infringer. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).

B. The Federal Circuit's Current Two-Part Test for Evaluating Willfulness Is Fatally Flawed

The Federal Circuit abandoned this flexible approach by adopting the rigid, two-part test first articulated in *Seagate* and further elaborated upon in *Bard*. As explained below, this test is fatally flawed because it is "overly rigid" and too "inflexible" for the discretionary inquiry mandated by § 284. *Octane Fitness*, 134 S. Ct. at 1756-57.

1. The Federal Circuit's Rigid Test for Willfulness Is Similar to the Two-Part Test for Attorney's Fees Rejected in *Octane Fitness*

In *Octane Fitness*, this Court rejected a similar two-part, objective/subjective test for attorney's fees pursuant to § 285 of the Patent Act. *Id.* at 1749. As with willfulness, historically the Federal Circuit

employed a flexible, totality-of-the-circumstances standard for determining eligibility for attorney's fees in patent cases. *Id.* at 1754. Indeed, the Federal Circuit often considered attorney's fees under § 285 hand-in-hand with willful infringement under § 284, affirming fee awards based at least in part on a finding of willfulness. *See, e.g.*, *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 656–57 (Fed. Cir. 1985) (willful infringement found; double damages and attorney fees awarded); *Rosemount, Inc. v. Beckman Instruments, Inc.*, 727 F.2d 1540, 1547–48 (Fed. Cir. 1984) (willful infringement found; treble damages and attorney fees awarded); *see also Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F.3d 1374, 1378 (Fed. Cir. 2005) ("The criteria for declaring a case exceptional [under § 285] include willful infringement . . .").

In *Brooks Furniture Manufacturing, Inc. v. Dutailier International, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005), however, the Federal Circuit "abandoned that holistic, equitable approach in favor of a more rigid and mechanical formulation" for determining exceptionality under § 285. *Octane Fitness*, 134 S. Ct. at 1754. Specifically, *Brooks Furniture* articulated a two-part test requiring the prevailing party to prove the litigation was both (1) objectively baseless and (2) brought in subjective bad faith. 393 F.3d at 1381. This Court unanimously rejected the *Brooks Furniture* test as "unduly rigid" and "impermissibly encumber[ing] the statutory grant of discretion" by dramatically circumscribing the district court's discretion for awarding attorney's fees. *Octane Fitness*, 134 S. Ct. at 1755.

Here, the Federal Circuit similarly erred in adopting a rigid, two-part, objective/subjective test for determining willfulness under § 284. Indeed, the Federal Circuit itself has declared that the two-part test for "objective baselessness . . . under *Brooks Furniture* is identical to the objective recklessness standard . for § 284 willful infringement actions under [*Seagate*]." *iLOR, LLC v. Google, Inc.*, 631 F.3d 1372, 1377 (Fed. Cir. 2011). It has also emphasized that, like *Brooks Furniture*, evidence of the infringer's state of mind "is irrelevant to the objective baselessness inquiry" required by the first part of the test. *iLOR*, 631 F.3d at 1377-78. And like *Brooks Furniture*, this inflexible approach is contrary to the statutory language of § 284, which allocates significant discretion to the trial court. *Compare* 35 U.S.C. § 284 ("[T]he court *may* increase damages up to three times the amount found or assessed." (emphasis added)), *with id.* § 285 ("The court in exceptional cases *may* award attorney fees to the prevailing party." (emphasis added)).

2. The Objective Prong Is an Overly Strict Gatekeeper to the Willfulness Inquiry

In addition to its inflexible nature, the objective prong of the two-part test operates as an overly strict gatekeeper to the willfulness inquiry, as many claims of willfulness never proceed beyond this threshold determination.

The Federal Circuit has held that the existence of a "reasonable" or "substantial" but ultimately unsuccessful defense to an infringement claim means the objective prong cannot be satisfied and

thus the willfulness inquiry must be terminated. *See, e.g.*, *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 776 F.3d 837, 844 (Fed. Cir. 2015) ("Objective recklessness will not be found where the accused infringer has raised a substantial question as to the validity or noninfringement of the patent." (internal quotations and citation omitted)); *Spine Sols., Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010) ("Th[e] 'objective' prong of *Seagate* tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement."). This extends not just to potential defenses known to the infringer prior to engaging in infringing conduct (such as those developed in an opinion of counsel), but to defenses first discovered during the pendency of litigation as well. *See, e.g.*, *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, No. 2014-1492, 2015 WL 4639309, at *14 (Fed. Cir. Aug. 4, 2015) ("[W]e have repeatedly assessed [the] objective reasonableness of a defense without requiring that the litigation had the defense in mind before the litigation."), *petition for reh'g en banc held in abeyance*, 805 F.3d 1382 (Fed. Cir. Nov. 17, 2015) (per curiam); *Glob. Traffic Techs. LLC v. Morgan*, No. 2014-1537, 2015 WL 3513416, at *7 (Fed. Cir. June 4, 2015) (explaining the objective prong "requires analysis of all of the infringer's non-infringement and invalidity defenses, even if those defenses were developed for litigation"); *see also Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1381–83 (Fed. Cir. 2014).

As a result, willfulness often "turns not on an evaluation of the risk of infringement at the time the infringement occurred, but on a post-hoc analysis of

whether or not an omniscient accused infringer would have recognized it had a viable defense." Jason Rantanen, *An Objective View of Fault in Patent Infringement*, 60 Am. U. L. Rev. 1575, 1628-29 (2011). Because skilled litigation counsel can usually articulate at least one reasonable defense to an infringement claim,[9] the Federal Circuit's omniscient view of objective reasonableness sets a high bar. Indeed, one empirical study of district court decisions on willfulness after *Seagate* found that the existence of a "substantial" or "legitimate" defense was "the single best way to defeat a willfulness claim." *See* Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After* In re Seagate*: An Empirical Study*, 97 Iowa L. Rev. 417, 452 tbl.5, 457 (2012).

The Federal Circuit also has held that the objective prong must be proven by "clear and convincing evidence," *Seagate*, 497 F.3d at 1371, even though this is an evidentiary standard that "applies to questions of fact and not to questions of

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[9] In addition to non-infringement, the most common defenses raised in patent litigation are lack of patentable subject matter, anticipation/lack of novelty, obviousness, indefiniteness, lack of enablement, and inadequate written description. *See* John R. Allison, Mark A. Lemley & David L. Schwartz, *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769, 1785 tbl.2 (2014). Other potential defenses include inequitable conduct, laches, equitable estoppel, contractual estoppel, license, co-ownership, patent misuse, sovereign immunity, the reverse doctrine of equivalents, and prior commercial use. *See Patent Litigation Strategies Handbook* 1282-87, 1294-1322 (Barry L. Grossman & Gary M. Hoffman eds., 3d ed. 2010).

law," *Microsoft Corp.*, 131 S. Ct. at 2253 (Breyer, J., concurring) (citing *Addington v. Texas*, 441 U.S. 418, 423 (1979)), thus further raising the bar for satisfying this requirement. In addition, the Federal Circuit's reclassification of the first part of the willfulness inquiry as a question of law, *see Bard*, 682 F.3d at 1007, grants it *de novo* review over this issue, which it has repeatedly used to overturn findings of willfulness on appeal. *See, e.g., Carnegie Mellon Univ.*, 2015 WL 4639309, at *12-15; *Glob. Traffic Techs. LLC*, 2015 WL 3513416, at *8; *Innovention Toys, LLC v. MGA Entm't, Inc.*, 611 F. App'x 693, 700-01 (Fed. Cir. 2015); *Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649, 660-62 (Fed. Cir. 2015); *Univ. of Pittsburgh v. Varian Med. Sys., Inc.*, 561 F. App'x 934, 943-45 (Fed. Cir. 2014); *Lee v. Mike's Novelties, Inc.*, 543 F. App'x 1010, 1016-17 (Fed. Cir. 2013); *Harris Corp. v. Fed. Express Corp.*, 502 F App'x 957, 969 (Fed. Cir. 2013); *Bard*, 682 F.3d at 1005-08; *Spine Sols., Inc.*, 620 F.3d at 1320. In sum, the Federal Circuit's application of the objective prong of *Seagate* has effectively elevated a single factor—the existence of a reasonable litigation defense to infringement—and made it dispositive of the entire willfulness inquiry in most cases.

3. The Federal Circuit's Erroneous Two-Part Test Often Excludes Key Evidence Regarding an Infringer's State of Mind

The Federal Circuit's two-part test for willfulness is further flawed because it prohibits consideration of the infringer's state of mind until (and unless) the objective prong is deemed satisfied.

Under the current standard, "the state of mind of the accused infringer is not relevant" to determining objective reasonableness. *Seagate*, 497 F.3d at 1371; *see also Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011) ("Should the court determine that the infringer's reliance on a defense was not objectively reckless, it cannot send the question of willfulness to the jury, since proving the objective prong is a predicate to consideration of the subjective prong.").

By artificially bifurcating the willfulness inquiry into separate objective and subjective prongs evaluated by different decisionmakers (judge and jury, respectively), the Federal Circuit's rigid two-part test often precludes consideration of highly probative evidence regarding the infringer's intent, such as copying.[10] For example, in *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314 (Fed. Cir. 2009), the patentee argued that the infringer had knowingly copied its patented invention and that this was material evidence of willfulness. *Id.* at 1336. The Federal Circuit rejected

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[10] Empirical studies have found a strong relationship between evidence of copying and willful infringement. *See* Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421, 1455 (2009) (finding in study of district court decisions involving willfulness from January 2006 through February 2008 that "successful proof of copying overwhelmingly leads to a finding of willfulness"); Seaman, *supra*, at 458 (finding in study of district court decisions on willfulness from *Seagate* through August 2010 that willfulness was found 63% of the time when the patentee offered evidence of copying by the accused infringer, compared to 29% of the time when no evidence of copying existed).

this claim, concluding that evidence of copying was "not relevant to the objective inquiry under *Seagate*'s first prong." *Id.*; *see also id.* at 1337 (holding that "DePuy's arguments concerning 'copying' . . . are relevant only to Medtronic's mental state regarding its direct infringement under *Seagate*'s second prong"). And because it found that the patentee had articulated a substantial (but losing) defense of non-infringement under the doctrine of equivalents, it affirmed the district court's grant of judgment as a matter of law that overturned the jury's finding of willfulness. *Id.* at 1335-37.

In contrast, pre-*Seagate* case law frequently relied on a finding of copying to support willfulness. *See, e.g.*, *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 96 F.3d 1409, 1414 (Fed. Cir. 1996) (affirming finding of willful infringement based in part on evidence that the infringer had "deliberately copied the ideas or design of the [asserted] patent"); *Milgo Elec. Corp. v. United Bus. Commc'ns, Inc.*, 623 F.2d 645, 666 (10th Cir. 1980) ("Many courts have held that faithful copying of a patented product shows an intentional disregard for the patent owner's rights and supports an award of increased damages under [§ 284]."). Indeed, some scholars have argued that the purpose of willfulness is to deter intentional copying. *See, e.g.*, Lemley & Tangri, *supra*, at 1118 ("Willfulness law is designed to deter unscrupulous copyists from taking advantage of the patent disclosure in order to copy the patentee's invention and rush it to market."). And evidence of copying is relevant to other issues of liability, such as inducement of infringement. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2071

(2011). In short, it inconsistent with the flexible inquiry mandated by § 284 to decide the issue of willfulness without considering evidence regarding the infringer's state of mind.

III. Willfulness Should Be Determined Under the Totality of the Circumstances

In lieu of the rigid, two-part test articulated by the Federal Circuit in *Seagate* and its progeny, this Court should conclude the correct test for willfulness is a determination that the infringer has at least recklessly violated the patentee's rights under a totality of the circumstances.[11] This approach is faithful to both the text of § 284 and historical practice. On appeal, the lower court's decision should be reviewed for abuse of discretion. Finally, a totality-of-the-circumstances approach to willfulness will not result in a parade of horribles, such as jeopardizing attorney-client privilege or a dramatic increase in treble damage awards.

A. The Statutory Text and Historical Practice Favor a Totality-of-the-Circumstances Approach

This Court should hold that willfulness should be determined under the totality of the circumstances. As previously explained, since 1836, patent law has granted discretion to the trial court whether and how much to increase damages due to willfulness.

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[11] In *amici*'s view, reckless violations of a patentee's rights would include, *inter alia*, knowing and intentional infringement.

See supra pp. 3-16. The current version of the increased damages provision, § 284, similarly grants discretion by stating that "the court *may* increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284 (emphasis added). Use of "'the word 'may' clearly connotes discretion.'" *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 136 (2005) (quoting *Fogerty*, 510 U.S. at 533). The only textual limitation on the trial court's discretion is that increased damages "shall not apply to provisional rights under [§] 154(d)." 35 U.S.C. § 284.

In *Octane Fitness*, this Court interpreted similar discretionary language in § 285 to require that district courts apply a "totality of the circumstances" test in determining whether a case is "exceptional." *Octane Fitness*, 134 S. Ct. at 1756. A similar construction should apply to § 284, particularly since both statutory provisions serve a common objective—the deterrence of willful infringement. *See Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988) ("Provisions for increased damages under 35 U.S.C. § 284 and attorney fees under 35 U.S.C. § 285 are available as deterrents to blatant, blind, willful infringement of valid patents."); *see also Knorr-Bremse*, 383 F.3d at 1343 (stating that the "[r]emedy for willful infringement is founded on 35 U.S.C. § 284 and 35 U.S.C. § 285").

A totality-of-the-circumstances test for determining willfulness also is consistent with prior case law. As previously discussed, courts routinely considered the totality of the circumstances in adjudging willfulness pre-*Seagate*. *Supra* pp. 16, 18-19.

B. The District Court's Decision Should Be Reviewed for Abuse of Discretion on Appeal

In addition, the Court should conclude that the district court's decision regarding increased damages for willfulness should be evaluated for abuse of discretion on appeal, rather than *de novo* review. As discussed above, the statutory text of § 284 grants discretion to the district court regarding whether to increase damages for willfulness. In *Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014)—decided the same day as *Octane Fitness*—the Court held that similar discretionary language in § 285 should be "reviewed on appeal for abuse of discretion." *Id.* at 1748. Like in *Highmark*, the text of § 284 "'emphasizes the fact that the determination is for the district court,' which 'suggests some deference to the district court upon appeal.'" *Id.* (quoting *Pierce v. Underwood*, 487 U.S. 552, 599 (1988)).

A deferential standard of review on appeal also makes logical sense in light of the highly fact-specific nature of the willfulness inquiry. As the Federal Circuit explained pre-*Seagate*, willfulness is primarily "a question of fact, for it includes elements of intent, reasonableness, and belief" that are particularly within the province of the trial court. *Pall Corp.*, 66 F.3d at 1221; *see also SRI Int'l, Inc.*, 127 F.3d at 1465 ("Since the issue of willfulness not only raises issues of reasonableness and prudence, but is often accompanied by questions of intent, belief, and credibility, appellate review requires appropriate deference to the special role of the trial

court in making such determinations."). In addition, this Court has held that punitive damages should be reviewed under an abuse-of-discretion standard on appeal "[i]f no constitutional issue is raised," such as when the relevant statute "place[s] limits on the permissible size" of such awards. *Cooper Indus., Inc. v. Leatherman Tool Grp., Inc.*, 532 U.S. 424, 433 (2001). As a result, "an appellate court should apply an abuse-of-discretion standard in reviewing all aspects of a district court's" § 284 determination. *Highmark*, 134 S. Ct. at 1749.

C. A Totality-of-the-Circumstances Test Will Not Adversely Impact Attorney-Client Privilege

One potential concern regarding a totality-of-the-circumstances test is that it may adversely impact attorney-client privilege by coercing accused infringers to obtain and disclose an opinion of counsel to defend against willfulness, thus waiving the privilege. *See, e.g.*, William F. Lee & Lawrence P. Cogswell, III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Patent Infringement*, 41 Hous. L. Rev. 393, 433-34 (2004) (labelling the "infringer's dilemma" the choice "to invoke the advice-of-counsel defense, thereby waiving privilege or immunity or both, or choose not to produce an opinion letter, thereby maintaining a full panoply of privileges and immunities"). But this is not likely to occur for at least three reasons.

First, in *Knorr-Bremse*, the Federal Circuit rejected the so-called "adverse inference" rule, which previously permitted the decisionmaker on willfulness to make an adverse inference of

culpability based on an accused infringer's failure to obtain or offer an opinion of counsel in its defense at trial. 383 F.3d at 1344-46. This holding was subsequently codified by Congress. *See* 35 U.S.C. § 298.[12] As a result, an accused infringer's decision to maintain privilege and not offer an opinion of counsel cannot be used against it, even under a totality-of-the-circumstances approach.

Second, in *Seagate*, the Federal Circuit held that any waiver of attorney-client privilege (as well as work product protection) due to disclosure of an opinion of counsel ordinarily will not extend to trial counsel. 497 F.3d at 1373-74. This remains good law even if *Seagate*'s rigid two-part test is overturned by this Court.

Third, despite the "widespread perception that opinions of counsel remain a strong defense against willfulness charges," empirical evidence rebuts this claim. Seaman, *supra*, at 454. One study of district court decisions in the three years following *Seagate* found nearly identical rates of willful infringement findings in cases where infringers offered an opinion of counsel and in cases they did not. *Id.* As a result, the incentive of accused infringers to disclose an opinion of counsel is much weakened.

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[12] This provision is effective for all patent litigation that commenced on or after January 14, 2013. Leahy-Smith America Invents Act Technical Corrections § 1(a), Pub. L. No. 112-274, 126 Stat. 2456, 2456 (2013).

D. A Totality-of-the-Circumstances Test Will Not Result in a Dramatic Increase in Treble Damage Awards

Finally, a totality-of-the-circumstances approach for determining willfulness will not lead to a dramatic increase in treble damage awards. First, even if the rigid, two-part test announced in *Seagate* is replaced with a totality-of-the-circumstances inquiry, the underlying requirement for increasing damages under § 284—willfulness—remains intact. As this Court has held in other civil contexts, a showing of at least reckless misconduct is required to establish willfulness. *See, e.g.*, *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 57 (2007) (concluding that the "standard civil usage" of "willful" under the Fair Credit Reporting Act includes reckless violations); *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 132-33 (1988) (concluding that willful violations of the Fair Labor Standards Act include reckless violations). As a result, lower courts cannot return to a negligence-like standard for awarding increased damages. *See Seagate*, 497 F.3d at 1370-71.

Second, even if willfulness is established, the district court retains discretion whether to increase damages and how much damages should be increased, up to the statutory maximum of treble damages. *See* 35 U.S.C. § 284 (stating that "the court may increase the damages *up to* three times the amount found or assessed" (emphasis added)); *see also Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) ("An award of enhanced damages for infringement, as well as the extent of the enhancement, is committed to the discretion of the

trial court."). Empirical studies have found that even when a district court decides to increase damages for willfulness under § 284, it awards the maximum of triple damages substantially less than half of the time. *See* Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 Mich. L. Rev. 365, 367, 394 (2000) (finding in study of all patent cases that went to trial from 1983-1999 that damages were tripled only 35% of the time when the district court increased damages under § 284 and the average enhancement was less than double damages); Seaman, *supra*, at 469 (finding in study of district court decisions from September 2004 through July 2010 that over 70% of increased damages awards under § 284 were for double damages or less). This suggests that triple damages are generally awarded only in egregious cases of willfulness. *See Read Corp.*, 970 F.2d at 826 ("The paramount determination in deciding to grant enhancement and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances.").

CONCLUSION

For the foregoing reasons, this Court should reverse the Federal Circuit in both cases on the issue of willfulness, hold that the appropriate standard under § 284 is a showing that the infringer willfully infringed under the totality of the circumstances and that this determination is to be reviewed for abuse of discretion on appeal, and remand to the district court for proceedings consistent with this Court's opinion.

Respectfully submitted,

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* The views expressed in this brief are those of the individual signatories and not those of the institutions with which they are affiliated.